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ZIP + 4 Business Plan Summary

FY 1986 - 1994

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Message From The Postmaster General

I am pleased to share this *ZIP + 4 Business Plan* with you. The plan is the product of many hours of inter-departmental deliberation and negotiation. It provides the Postal Service with sound strategies for making maximum efficient use of the *ZIP + 4* code on all classes of mail.

Strategies, of course, do not of themselves dictate success. Customer support of this vital program depends on our individual and combined efforts to plan and to act in concert with these *ZIP + 4* strategies.

I urge you to become thoroughly familiar with this business plan and, most importantly, to assess how your organizational unit's *ZIP + 4* strategies can be integrated with those in the plan.

Introduction

Premise of the *ZIP + 4* Business Plan

The foundation of the Postal Service's mail distribution system and universal delivery network is the *ZIP + 4* code. The Postal Service intends to make maximum use of the expanded ZIP Code on all classes of mail. The codes have become the "grid" on which distribution and delivery operations will be based. The Postal Service and its customers will receive the greatest cost efficiencies available by utilizing the *ZIP + 4* address in all phases of mail preparation.

Accordingly, product and pricing strategies will reflect the value of *ZIP + 4* coding to the Postal Service. Basic postage rates and incentives will reflect the operating efficiencies which the Postal Service realizes from mail bearing the customer-applied *ZIP + 4* code.

The *ZIP + 4 Business Plan* has been developed to ensure a comprehensive and integrated Postal Service effort to make maximum efficient use of the *ZIP + 4* code. The *ZIP + 4 Business Plan* will direct the focus of the organization to changes and improvements which require long-term initiatives to accomplish.

Each functional area has developed objectives and strategies in support of this goal. The strategies have been integrated into a consolidated Postal Service plan in which all functional areas are working to support the same corporate goal. The strategies incorporated into the plan are those which will offer the Postal Service and its customers maximum opportunity for cost control, more accurate and consistent service, and long-term rate stability.

The publishing of the plan is intended to clearly define to all levels of the organization the business expectations for the *ZIP + 4* program in the present and the future. The Postal Service recognizes that any plan requires adjustment whenever key strategic variables are altered by changing circumstances in the business environment. Accordingly, this plan will require periodic reevaluation to incorporate external or internal changes which could affect the strategies.

Planning Assumptions of the *ZIP + 4* Business Plan

This *ZIP + 4 Business Plan* reflects the present status of a continuing planning process. It is based upon a number of assumptions reflecting management's best judgment regarding the external influences and internal factors which will affect the transition to advanced distribution and delivery activities based on the *ZIP + 4* code.

These planning assumptions are:

- The strategies incorporated are consistent with those expressed in the Postal Service's "Strategic Business Plan FY 1986-1990."
- *ZIP + 4* codes will be the basis for distribution and delivery activities for all classes of mail.
- *ZIP + 4* codes applied by the mailer offer the greatest cost savings and operating efficiencies to the Postal Service. Mailer rates will reflect this value.
- Certain refinements in *ZIP + 4* make-up requirements are justified.
- Technological advancements, such as multiline optical character readers and wand-type readers, offer new opportunities for increased efficiencies in mail processing operations. The Postal Service fully intends to incorporate these advancements into our operations in an effort to hold down mailing costs to our customers.
- Continued inter-departmental activity will ensure an integrated coordination of strategies contained in this Business Plan.
- Management will assess and revise strategies to the extent and depth indicated by external or internal variables which positively or negatively affect present strategies.

Introduction

History of Coded Mail

In 1963, a five-digit code was devised to provide a numbering system that could guide mail to any U.S. post office, station, or branch. The code was entitled "ZIP CODE." ZIP was the acronym for Zoning Improvement Plan, a coding system to facilitate mail processing. The Mr. ZIP caricature, a very consumer-oriented logo, appeared in advertising and promotion campaigns.

The Code originally was not mandatory, but beginning in 1967, second- and third-class bulk mailers were required to presort their pieces by ZIP Code. Second- and third-class rates were subsequently held down as a result of this presortation, and presort discounts were introduced in 1978 for second-class mail and in 1979 for third-class mail. By 1978, the Code was being used on approximately 97 percent of all domestic mail and public acceptance of ZIP Code was assured.

Mechanization, coupled with the introduction of the ZIP Code, provided a foundation for modernizing the Postal Service, which, until then, was still sorting mail somewhat as it had done in the days of Benjamin Franklin. By the mid-1970's, however, it became evident that the opportunity to achieve further gains from the current mechanization system would soon begin to diminish.

Although most letter mail could be sorted on letter sorting machines (LSMs), these machines relied upon operators manually keying the ZIP Code before the mail piece could be sorted. Furthermore, when mail arrived at the post office specified by the five-digit code, a clerk who had memorized street names and numbers on each carrier's route had to sort the letters to each carrier either manually or by using an LSM. This was both time-consuming and labor-intensive.

Consequently, in 1976, a study was implemented to investigate further possibilities for automating mail processing. The study identified two avenues — optical scanning and expansion of the ZIP Code. By expanding the ZIP Code by four digits, mail could be sorted down to the carrier route, or to a particular street, office building, post office box, or firm. The optical character reader (OCR) equipment could read the *ZIP + 4* code and convert the ZIP Code into a bar code. Bar code sorter (BCS) machines could then sort the mail down to and within the delivery sector/segment of the carrier route.

This *ZIP + 4* automation plan would reduce clerk work hours in mail processing plus provide the opportunity to achieve additional savings by cutting down on letter carrier office time. It would also reduce training requirements associated with memorizing addresses on carrier routes.

On November 28, 1980, the Postal Service published a notice in the *Federal Register* requesting comments on the proposal to amend postal ZIP Code regulations. The *ZIP + 4* code was largely directed toward the business mailer, but both business mailers and the general public had concerns. The major concerns were:

- Mailers would not be able to remember the longer numbers. Householders would have difficulty in acquiring and retaining the *ZIP + 4* codes of those with whom they corresponded.
- The *ZIP + 4* code would become mandatory for all mailers.
- Mailers would incur direct and indirect costs of converting to *ZIP + 4* code.

This public concern over the *ZIP + 4* code caused Congress to take legislative action, and on August 13, 1981, Congress postponed *ZIP + 4* implementation until October 1, 1983.

Congress also requested that the General Accounting Office (GAO) look into the accuracy and reliability of the automated equipment. The GAO report supported the Postal Service's claim that the use of automated equipment would significantly reduce costs, even if used only for the five-digit ZIP Code. It recommended *ZIP + 4* should proceed, providing that the equipment performed adequately and that a postage rate incentive was established to attract enough users to make the automated system even more cost effective.

The Postal Service continued on with its plans for implementation. In December 1980, the Board of Governors authorized an expenditure for Phase I procurement of 252 OCRs, 248 small BCSs, and 120 expanded ZIP retrofit kits (EZRs) to be deployed to 118 postal facilities. Phased

procurement was planned in order to take advantage of improving technologies. The major deployment for Phase I automation began in 1982 and was completed in 1984.

In October 1983, a rate incentive was implemented at nine-tenths of a cent per piece, for a minimum of 250 pieces of non-presorted First-Class Mail, and a half-cent per piece, for a minimum of 500 pieces of presorted First-Class Mail. Business mailers now had a postage rate incentive to convert their mailing files to *ZIP + 4*.

Contracts for Phase II equipment were awarded in July 1984. These awards included 403 OCRs, 250 EZRs, and 452 BCSs. Deployment began in 1985, with completion scheduled for 1988.

Recent Developments

The greatest cost savings expected from the single-line OCR equipment were based on a high volume of *ZIP + 4* coded mail which the OCR would scan, and to which it would apply a bar code. The BCS machines could then automatically sort the mail to delivery sector/segments. The Postal Service had built its initial operating plans on the assumption that, by 1989, *ZIP + 4* volume would reach 50 billion pieces.

The Postal Service, in its continual assessment of the *ZIP + 4* automation program, found that the actual volume of mail being converted to *ZIP + 4* code usage was not meeting its expectations. It recognized that the 50-billion piece level would probably not be attained until FY 1993-94. Without substantial *ZIP + 4* mail volume, the incoming secondary sortation to the carrier route could not be fully utilized. This meant that the projected cost savings would not be captured as early as planned.

At the same time, technological changes have increased the capability and decreased the cost of computer memory for multiline OCR equipment. For these reasons the Postal Service decided in Fiscal Year 1985 to begin plans for competitive testing and acquisition of multiline OCR equipment.

Mailer application of *ZIP + 4* codes will remain important even after the Postal Service enhances its automation program with multiline equipment. *ZIP + 4* coded mail provides the highest read efficiency with either the single-line or multiline OCR equipment. In addition, there are potential benefits from *ZIP + 4* coding in the areas of flat mail and parcel distribution which are just beginning to be fully explored.

ZIP + 4 Business Plan Summary

The summary is a snapshot view of the *ZIP + 4 Business Plan*. It identifies seven areas — Processing and Distribution, Delivery Services, Mail Characteristics, Product/Pricing, Human Resources, Buildings, and Equipment — and condenses the strategies planned for these areas into a brief summary. It covers the years 1986-1994.

Goal: **Make Maximum Efficient Use of *ZIP + 4* Code**

TOPIC AREA	1986	1987 - 1989	1990 - 1994
Processing & Distribution:			
Letter Mail Processing	• Expand secondary sorting using *ZIP + 4*	• Continue secondary sorting using *ZIP + 4*	• Initiate secondary sorting to segment
Flat Mail Processing		• Initiate secondary sorting using *ZIP + 4* as volume dictates	• Initiate secondary sorting to segment
Small Parcel & Bundle Sorter	• Test effort for SPB sorters	• Contract and deploy SPB sorters	• Explore bar code application methods
Non-OCR Readable Letter Mail	• Test modified MPLSM console for encoding station	• Develop plan to encode mail • Feasibility studies to read handwritten addresses	• Implement encoding system • Test software to recognize handwriting
Delivery Services:			
Carrier Cases	• Test new carrier case	• Deploy new carrier case	
Carrier Distribution	• Test advanced distribution concepts	• Develop sector/segment distributing/sorting system	• Implement sector/segment distributing/sorting system
Carrier Routes	• Develop requirements	• Test concepts	• Deploy dynamic carrier route allocation system
Merge Centers	• Develop merge system concept	• Test mechanization necessary for merge center	• Partially automated merge center system deployed
Mail Characteristics:			
Mailers — ZIP Codes	• Increase technical support for mailer conversion • Promote mailer usage • Promote OCR readability	• Continuation • Continuation • Continuation	• Continuation • Continuation • Continuation
Mailers — Bar Codes	• Study customer assisted bar coding concepts	• Test and implement system for mailer bar coding	• Expand mailer bar coding
Address Maintenance System	• Develop one data base for all products • Produce secondary schemes • Develop new products • Maintain and update national *ZIP + 4* data base	• Provide on-line update at MSC AIS • Continuation • Continuation • Continuation	• Continue system — expand products • Continuation • Continuation • Continuation
Product/Pricing:			
Rates & Incentives	• Review of rate and classification structures • Implement optional *ZIP + 4* presort make-up regulation • Continue market, operational, cost studies • Review product/price incentives	• Review & analysis of long-term rate and classification issues. • General rate case preparation and filing • Complete studies • Develop new product/price structure	• Continue review and analysis of rate and classification issues • Continue market studies • Implement new product/price structure

TOPIC AREA	1986	1987 - 1989	1990 - 1994
Human Resources:			
Employee & Labor Relations	• Review position descriptions • Increase employee/union awareness • Develop training programs • Conduct workforce impact planning	• Continuation	• Continuation
Buildings:			
Facilities	• Define a proactive planning system to forecast facility requirements	• Implement, evaluate and modify system	• Continuation
Equipment:			
Phase I — BCS	• 248 in operation		
Phase I — OCRs	• 252 in operation • Plan redeployment	• Redeploy	
Phase II — BCS	• Deploy 98	• Deploy 354 BCS for a total of 452	
Phase II — OCRs	• Deploy 132 • Contract multiline conversion	• Deploy 271 for a total of 403, all deployed with multiline conversion	
Phase III — Multiline OCRs	• Test • Contract for up to 250 single or 125 dual multiline OCRs	• Deploy up to 250 single or 125 dual multiline OCRs	
Multiline Directory	• Develop architecture methodology • Explore feasibility of national directory for OCR	• Implement national system with update capabilities • Test national directory concept	• Refine as needed • If cost effective, implement best alternative concept
Flat Sorters — Model 775	• Contract for 180 additional 775s	• Deploy additional 775s	
Flat Sorters — Auto Feed	• Explore auto feed system	• Test auto feed system	• Deploy auto feed system
Flat Sorters — Bar Code	• Explore OCR/bar code processing of flats	• Test OCR/bar code processing of flats	• Deploy OCR/bar code system for flats • Initiate secondary sorting with bar code tests
Facer Canceler — M-36/Mark II	• 780 Mark IIs — 200 M-36s in operation • Incorporate hardware/software modifications	• Redeploy	
Facer Canceler — New	• Determine requirements	• Deploy new F/C	• Integrate F/C with next operation

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